

DATE: April 19, 2016

TO: Thomas J. Bonfield, City Manager
THROUGH: Keith Chadwell, Deputy City Manager
FROM: Grace Dzidzienyo, Interim Director, Office of Economic and Workforce Development

SUBJECT: Public Hearing and Recommended Agreement for Economic Development Incentive with Migrate Property 2, LLC

Executive Summary

This item describes the economic development project proposed by Migrate Property 2, LLC within the Community Development Area (CDA) in the City of Durham outside the downtown development tier. It also describes a proposed economic development incentive contract between Migrate Property 2, LLC and the City of Durham.

Recommendation

The Office of Economic and Workforce Development (OEWD) recommends that the City Council:

- 1) Authorize a public hearing on the proposed economic development incentive agreement per G.S. 158-7.1; and
- 2) Authorize the City Manager to execute an economic development incentive agreement with Migrate Property 2, LLC in an amount not to exceed \$100,000.00 for a building renovation project at 2201 Angier Avenue, Durham NC.

Background

On April 21, 2014 the City Council approved an economic incentive policy amending the earlier policy approved on April 4, 2011 which included the Neighborhood Revitalization Grant Incentive Program. Projects to be funded through this program are intended to accomplish the following:

- to stimulate economic revitalization by leveraging private investment
- to create and retain permanent full-time livable wage jobs
- to make permanent jobs accessible to lower income neighborhood residents including persons who are unemployed
- to engage community involvement and support
- to strongly encourage local partnerships

- to complement other neighborhood initiatives, projects and programs
- to leverage other funding resources

In order to be eligible for an incentive payment under the “Neighborhood Revitalization Grant Incentive Program,” the capital investments must be made within the CDA outside the downtown development tier. The project should have a substantial impact on the physical economic vitality of the affected neighborhood which will strengthen the City of Durham tax base in that area. The maximum incentive award may be up to 50% of the total capital investment made for a total incentive payment but not exceed \$500,000.00. The policy is “performance-based.” No incentives will be paid to the company until after the company has achieved the terms of the economic incentive agreement.

Migrate Property 2, LLC has applied to OEWD for a Neighborhood Revitalization Grant Incentive and proposes to renovate an underutilized and blighted building at 2201 Angier Avenue which is located on a targeted commercial corridor in East Durham. The plan is to redevelop from a 1200 SF gas station into 1600 SF restaurant. The project, when completed, will stimulate new business development, provide job opportunities in the for local residents, and an outdoor/indoor eatery that will promote increased likelihood of walkability in this neighborhood.

Project Migrate Property

Total Cost: \$459,383.00

Public Cost: \$100,000.00

Issues and Analysis

A major priority of the City of Durham is increasing and strengthening the economic stability of the City. The project when completed will be a key step in implementing the Neighborhood Assessment Plan that was approved by City Council. This calls for renovation of blighted and underutilized commercial building as a means of attracting private capital investment to promote business development in this targeted area in NECD. The project will serve as a catalyst project to attract businesses development to this area.

Staff endorses this project which would be an asset in promoting the continued revitalization and vitality of the Angier/Driver commercial corridor and its surrounding neighborhoods.

The proposed project will produce \$359,383.00 in private investment with \$100,000.00 in City funding, producing approximately a 3.5:1 ratio of private to public funding. The anticipated sources of capital for the project are as follows:

<u>Source</u>	<u>Amount</u>	<u>Status</u>
Source 1 Migrate Property 2, LLC	\$127,383.00	Committed
Source 2 City	\$100,000.00	Recommended

Source 3		
First South Bank	\$232,000.00	Requested
Note: OEWD recommendation is to fund \$100,000.00 of the initial \$160,000.00 that was requested.		
Total	\$ 459,383.00	

Other Deliverables

- The Company shall expend a minimum of \$304,950.00 in hard cost and provide the City with evidence of these capital expenditures.
- An incentive would help create opportunities for Durham-based businesses to bid on construction-related work associated with the project. Adherence to a Durham-based business plan for construction-related trades would be a contract deliverable. It should be noted that the contractor that is likely to be selected to undertake the project will be a Durham-based firm that has a strong familiarity with other local Durham firms and the City's Equal Opportunity Equity Assurance (EOEA) program. Therefore, the likelihood of other Durham businesses participating in this project would increase.

Alternatives

The City Council may reject the recommendation or may choose to fund the project at a lower amount. Not funding the project would be inconsistent with the Neighborhood Revitalization Grant program in the Targeted Commercial Corridor Community Development Area. The proposed project will have positive effects on the appearance and business climate of the affected location.

Financial Impact

Funding for this project would come from the FY 2016 Neighborhood Revitalization Fund.

SDBE Summary

An SDBE summary is inapplicable because no project-specific goals have been set and no SDBEs are involved in this item.

Attachment

- Migrate Property 2, LLC, Inc. Project Request & Overview
- Neighborhood Incentive Agreement for Migrate Property 2, LLC